EXHIBIT 1

10-Q 1 d10q.htm FORM 10-Q

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 10549

FORM 10-Q

☒ **Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the quarterly period ended March 31, 2003

or

☐ **Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

Commission file number: 0-28432

Boston Communications Group, Inc.

(Exact name of registrant as specified in its charter)

Massachusetts	**04-3026859**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

100 Sylvan Road, Woburn, Massachusetts 01801

(Address of principal executive offices)

Registrant's telephone number, including area code: (781) 904-5000

(Former name, former address, former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2)

Yes ☒ No ☐

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date.

As of May 7, 2003 the Company had outstanding 18,059,848 shares of common stock, $.01 par value per share.

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which include reviews by management and finance personnel of time reports submitted by employees to ensure that costs capitalized are appropriate. We make judgments regarding the specific time that can be capitalized based upon the type of project and type of work being performed. The capitalized costs are subject to an ongoing assessment of recoverability based on management's judgment which contemplates the anticipated future undiscounted net cash flows and changes in hardware and software technologies.

Amortization of capitalized software development costs begin when the product is made available for general release and amortization of internal use costs begins when the related asset is first placed in service. These costs are amortized on a straight-line basis over a three-year period.

Impairment of Long-Lived and Intangible Assets and Goodwill

We assess the impairment of long-lived assets, identifiable intangibles, and goodwill whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors we consider important which result in an impairment review include the following:

- Significant underperformance relative to expected historical or projected future operating results;
- Significant changes in the manner of our use of the acquired assets or the strategy for our overall business; and
- Significant negative industry or economic trends.

When indicators of impairment exist and the carrying value of intangibles and long-lived assets, other than goodwill, may not be recoverable, we compare the projected undiscounted cash flows from these assets, which is determined considering a number of factors including past operating results, budgets, economic projections, market trends and product development cycles, to their carrying value. If the carrying value of the long-lived asset exceeds its estimated undiscounted cash flows, the asset is considered impaired and the carrying value is then compared to the asset's fair market value. If the carrying value exceeds the fair value, an impairment loss equal to the excess is recorded immediately in the Statement of Operations. Fair value is determined by either a quoted market price or use of a present value technique, which requires judgments to be made by management regarding estimating future cash flows, economic life and discount rates, among other assumptions. Different assumptions could yield materially different results.

For impairment tests of goodwill, management has determined that our goodwill is attributed to our billing and transaction processing services and prepaid systems businesses as a single unit. As a result, we utilize the enterprise-wide approach, which is based on the market value of our common stock, to determine the fair value our reporting segments and compare that to our consolidated book value to determine if an impairment loss exists.

Certain Factors That May Affect Future Results

The loss or significant reduction of business from one of our major customers, including Verizon Wireless or Cingular Wireless, would have a material adverse effect on our business.

Historically, a significant portion of our revenues in any particular period has been attributable to a limited number of customers in the wireless telecommunications business. This concentration of customers continues and increased in 2003 as Verizon Wireless represented 51% and Cingular Wireless represented 27% of our consolidated revenues for the three months ended March 31, 2003. Our dependence on Verizon and Cingular is expected to continue at similar levels until our new carrier customers and expanded programs generate more revenue.

Our Verizon Wireless prepaid wireless services contract and certain other contracts expire in 2003 and beyond. While we expect to renew these contracts, when and if each of the contracts is renewed, some contractual rates per minute may be lower than in previous years and at lower rates than we have estimated. These contracts are not exclusive and therefore do not prevent our customers from using competitors' billing and transaction processing platforms.

EXHIBIT 2

First Analysis
Securities Corporation

Online Research: www.firstanalysis.com
Research: (800) 866-3272 • Trading: (800) 322-3272 • (312) 258-0660
233 South Wacker Drive • Suite 9500 • Chicago, IL 60606

February 6, 2003

Boston Communications Group

(BCGI: $12.86)

overweight

Analyst: Howard Smith

Key outlook changes

METRIC		TO	FROM
Rating	UP	O	E
Price target	START	$17	
2004e EPS	START	$0.84	
2003e Revenue	UP	$92.2	$80.6
2004e Revenue	START	$110.4	

Estimates summary

YEAR (DEC)	REVENUE (MILLIONS)	CHANGE	EPS	CHANGE	P/E
2002	$70.9	--	$0.30	39.2%	42.5
2003e	**$92.2**	**30.1%**	**$0.53**	**76.3%**	**24.1**
2004e	**$110.4**	**19.7%**	**$0.84**	**58.1%**	**15.3**

Fundamentals

Equity market capitalization (MM)	$232.2
Debt/total capitalization	0%
Return on average equity (2003e)	8%
Price/book value	1.9
Total market cap./2003e EBITDA	5.1
52-week price range	$6.66 - $14.95
12-month price target	**$17**

Important disclosures appear at the back of this report. Letter notations refer to specific disclosures.

Rating up on quarter performance, outlook, though concerns linger

- Solid business tone, valuation make us more excited about the name, and our rating is up to overweight from equal-weight.
- Two concerns temper our long-term outlook: the patent infringement suit and customer concentration.

We think BCGI turned in four relatively strong quarters in 2002, but we feel Q4 results were by far the best. All major metrics for gauging business strength were substantially better than we expected. Specifically:

- ✓ ***Monthly minutes of use** (MOUs)* of 105 blew through our 100-minute expectation. We think this is a key BCGI metric as it drives a major component of revenue. We considered the 100-minute target to be aggressive and we were impressed by the degree to which the target was surpassed.
- ✓ ***Net subscriber additions*** of 479,000 topped our estimate by 39,000.
- ✓ ***Revenue per minute*** of $0.02 decreased a modest 5% sequentially; this is 1) less than management had expected and 2) the company reported pricing pressures are the mildest BCGI has experienced.

Valuation attractive

We also think the stock has sold off in recent weeks (on speculation of a weaker-than-produced quarter due to December insider sales), and in addition to the nice business strength noted above, we regard the shares attractive from a valuation perspective. We apply a 20 multiple on our out-year EPS estimate, which is a multiple we feel is reasonable if not conservative given the long-term expected growth and recurring nature of BCGI's revenue stream, and this yields about a $17 value, or just over 30% appreciation from last night's close. This is supported by our DCF analysis that yields a 12-month fair value of about the same amount.

Thus, while we see two important reasons for caution (discussed immediately below), the tone of business and valuation parameters lead us to regard the shares as an attractive near-term buying opportunity, and a $17 12-month price target accompanies our overweight rating.

Two issues keep us cautious

We think the following items linger on BCGI's horizon, and keep us wary about the stock.

Law suit

The first issue is the Freedom Wireless patent infringement suit, a well-known risk that has been on the radar screen for a couple years. Management expects several summary judgment motions in Q2, with rulings in following months, and these could indicate whether the suit will go away quickly or continue to drag on. There was no other meaningful update on this topic on last night's call, and we have written about it previously.

Concentration

In terms of customer concentration, 2002 saw Verizon Wireless account for 49% of BCGI's revenue while Cingular accounted for 25%.

Regarding Verizon, while management never comments on contract status, we believe this contract is up for renewal this year. Based on Verizon's success with its service and several other factors, we think there is a high likelihood Verizon will renew (though nonrenewal is always a risk). However, we are not as confident about the renewal terms, and we see possibility for some pricing degradation beyond what we've modeled upon the contract's renewal. Cingular was signed last year, and thus we do not feel it carries much risk from a pricing or contract renewal standpoint near term.

However, the two companies pose other risks. First, in the unlikely event either entity turns strategic course away from prepaid, BCGI would obviously be negatively impacted. We do not see evidence of any change at Verizon, which has been aggressive about its prepaid initiative. We note Cingular has not yet been as aggressive of late, minimizing the risk with this account. We think what's more likely to cause problems for BCGI than a change in focus would be a marketing stumble by either company.

Regarding the overall prepaid landscape, should AT&T Wireless (AWE: $6.09) follow through on its plans to launch a meaningful prepaid program (called GoPhone) in the 2003 second half, we think this could be an overall positive for prepaid and potentially for BCGI. In the same breath, we note new competitive entrants can hurt existing offerings, as we saw Sprint take some market share when it aggressively promoted its spending-limit plans. One mis-step by either of BCGI's largest customers as they battle for growth in the fiercely competitive wireless arena could cause a hiccup or worse for BCGI. We anticipate some longer-term relief on this score in the prospect that either of BCGI's newer

customers--Alltel (AT: $44.91) and Nextel (NXTL: $12.88)--may kick in to lessen the overall customer/competitive risk profile (late this year or next year).

Estimates

Our revised estimates are noted above. Management provided 2003 guidance we think is based on reasonable assumptions and we've raised our top-line number, though operating expense keeps our bottom-line forecast unchanged. We note our model includes roughly $900,000 per quarter for patent infringement defense, a burden that may be lifted at some point on the model's horizon. Excluding law suit costs, our EPS estimate is $0.65.

Looking to 2004, the business model gains even more leverage on the operating margin line using similar assumptions. Thus, our out-year profile calls for 20% top-line growth and 58% EPS growth.

QUARTER HIGHLIGHTS

- BCGI reported Q4 EPS of $0.11, three cents ahead of our estimate, on revenue of $21.1 million, handsomely surpassing our estimate by 17%. Excluding its ongoing legal costs, EPS was $0.14. Revenue grew by 22% sequentially and 48% year-over-year, and performance was strong across the board.

- Prepaid wireless service revenue of $17.9 million was the top-line highlight, growing 23% sequentially in a seasonally strong quarter and vaulting our forecast by 16%. The frosting on the cake was the very attractive business metrics we noted above: robust net subscriber adds and MOUs. We note MOUs were helped by in part by new subscribers coming on line earlier in the period (versus a typical back-end loaded, holiday-induced phenomena), which boosted the quarter's average.

- Other revenue streams aren't central to our investment thesis, but they saw good performance. Roaming services revenue of $1.2 million topped our estimate by $200,000, though gross margin (which is very low) fell just shy of our forecast. Systems revenue of $2 million exceeded our $1.5 million estimate and gross margin of 61% was 1,100 basis points better than we expected. Prepaid wireless gross margin of 72.6% was 50 basis points lower than our estimate.

- Helped by systems margin, overall gross margin of 67.5% was 40 basis points higher than we modeled, operating expenses were as expected, and the top-line strength flowed through to the bottom line.

- The balance sheet continues to look solid: Cash grew about $1 million sequentially to $55 million and DSOs, by our calculation, were flat with Q3 at 68 days.

- BCGI announced two new regional GSM wireless customers for its billing and customer care services. This is capability it gained through its recent Infotech acquisition.

VALUATION/RISKS

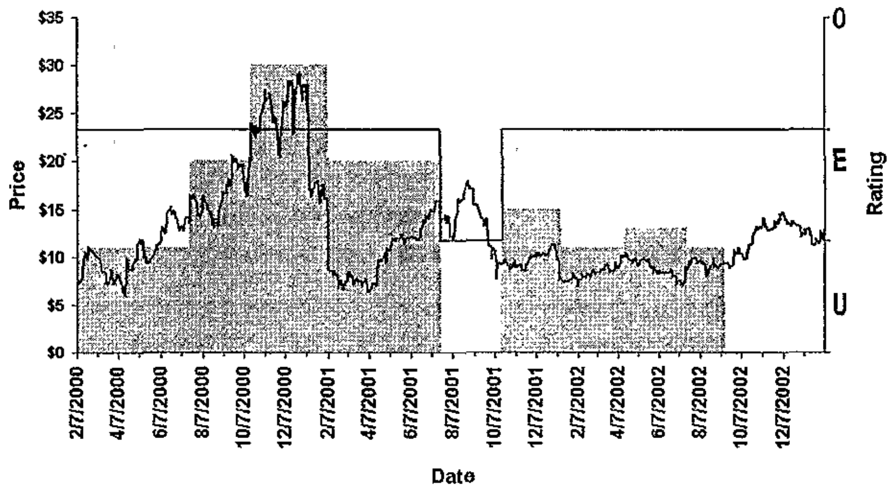
Our valuation for BCG is based on DCF analysis, rounding to the next whole number. We assumed revenue growth peaks in the upper teens, an 8X-EBITDA terminal value, and an 18% discount rate. A number of risks and uncertainties have the potential to impede share-price appreciation toward our 12-month target, including such factors as unfavorable economic conditions, a downturn in capital markets, slowing adoption of the prepaid calling option in the U.S., customer concentration, and potential fallout and expense related to a patent infringement suit.

COMPANY DESCRIPTION

Leader in outsourced services and systems to wireless telecommunications carriers.

PRICE, RATING, AND TARGET PRICE HISTORY*

Date	Close	Target	Rating
2/7/2000	$7.44	$11	2
7/20/2000	$16.56	$20	2
10/19/2000	$24.00	$30	2
2/7/2001	$8.63	$20	2
7/19/2001	$12.84		3
10/18/2001	$9.31	$15	2
1/11/2002	$7.97	$11	2
4/18/2002	$10.42	$13	2
7/17/2002	$9.03	$11	2
9/12/2002	$9.24		E



*Left axis is stock price (gray area indicates 12-month price target); right axis is rating (line indicates rating level). Prior to Sept. 12, 2002, the rating corresponding to the "O" level was "strong buy (1)"; the "E" level, "accumulate (2)"; and the "U" level, "neutral (3)." Prior to that date, we also used the bottom level on the right axis, which corresponded to "underperform (4)." The data in this chart are current as of the last trading date prior to the date of this report.

Earnings Model (Dollars in thousands except per-share data)

	2000	Mar-01	Jun-01	Sep-01	Dec-01	2001	Mar-02	Jun-02	Sep-02	Dec-02	2002e	Mar-03e	Jun-03e	Sep-03e	Dec-03e	2003e	2004e
Roaming Services	$17,650	$3,341	$3,211	$3,109	$2,009	$11,670	$1,583	$1,691	$1,743	$1,207	$6,224	$950	$1,015	$1,046	$724	$3,734	$2,241
Prepaid Wireless Services	$53,218	$14,025	$12,442	$11,169	$11,110	$48,746	$12,139	$14,321	$14,522	$17,882	$58,864	$19,727	$20,041	$20,555	$21,966	$82,290	$101,653
Total Service Revenue	$70,868	$17,366	$15,653	$14,278	$13,119	$60,416	$13,722	$16,012	$16,265	$19,089	$65,088	$20,677	$21,055	$21,601	$22,691	$86,024	$103,894
System Revenue	$4,699	$1,623	$1,464	$1,609	$1,171	$5,867	$1,320	$1,360	$1,061	$2,031	$5,772	$1,500	$1,500	$1,500	$1,700	$6,200	$6,500
Total Revenues	**$75,567**	**$18,989**	**$17,117**	**$15,887**	**$14,290**	**$66,283**	**$15,042**	**$17,372**	**$17,326**	**$21,120**	**$70,860**	**$22,177**	**$22,555**	**$23,101**	**$24,391**	**$92,224**	**$110,394**
Cost of roaming	$14,420	$2,894	$2,763	$2,556	$1,813	$10,026	$1,452	$1,589	$1,674	$1,175	$5,890	$921	$964	$1,014	$702	$3,622	$2,173
Cost of C2C	$14,036	$3,934	$3,839	$3,458	$3,834	$15,065	$3,869	$4,092	$4,134	$4,899	$16,994	$5,326	$5,411	$5,550	$5,931	$22,218	$27,446
Cost of Services	$28,456	$6,828	$6,602	$6,014	$5,647	$25,091	$5,321	$5,681	$5,808	$6,074	$22,884	$6,248	$6,395	$6,564	$6,633	$25,841	$29,620
Cost of Systems	$2,190	$723	$712	$761	$650	$2,846	$703	$588	$444	$800	$2,535	$750	$750	$750	$850	$3,100	$3,250
Gross Profit	**$44,921**	**$11,438**	**$9,803**	**$9,112**	**$7,993**	**$38,346**	**$9,018**	**$11,103**	**$11,074**	**$14,246**	**$45,441**	**$15,179**	**$15,410**	**$15,787**	**$16,907**	**$63,283**	**$77,524**
R&D	$8,018	$2,273	$1,933	$1,794	$1,974	$7,974	$1,973	$2,104	$2,286	$2,651	$9,014	$2,800	$2,850	$2,900	$3,000	$11,550	$13,283
Sales & Marketing	$5,159	$1,444	$1,096	$905	$938	$4,383	$1,129	$977	$976	$1,365	$4,447	$1,500	$1,550	$1,600	$1,650	$6,300	$7,245
General & Administrative	$6,753	$1,719	$1,618	$1,350	$1,396	$6,083	$1,418	$1,523	$1,433	$2,702	$7,076	$2,600	$2,600	$2,600	$2,600	$10,400	$11,000
D&A	$16,045	$3,866	$3,954	$3,936	$4,126	$15,882	$4,128	$4,493	$4,255	$4,682	$17,558	$4,900	$5,000	$5,100	$5,200	$20,200	$21,000
Total Operating Expenses	$35,975	$9,302	$8,601	$7,985	$8,434	$34,322	$8,648	$9,097	$8,950	$11,400	$38,095	$11,600	$12,000	$12,200	$12,450	$48,450	$52,528
Operating Income	**$8,946**	**$2,136**	**$1,202**	**$1,127**	**($441)**	**$4,024**	**$370**	**$2,006**	**$2,124**	**$2,846**	**$7,346**	**$3,379**	**$3,410**	**$3,587**	**$4,457**	**$14,833**	**$24,998**
Net Interest/Other Income	$2,049	$756	$590	$546	$501	$2,393	$411	$401	$402	$338	$1,552	$350	$375	$400	$400	$1,525	$1,700
Pretax Income	$10,995	$2,892	$1,792	$1,673	$60	$6,417	$781	$2,407	$2,526	$3,184	$8,898	$3,729	$3,785	$3,987	$4,857	$16,358	$26,696
Taxes	$4,289	$1,156	$716	$669	$23	$2,564	$315	$962	$1,010	$1,279	$3,566	$1,492	$1,514	$1,595	$1,943	$6,543	$10,679
Net Income - continuing ops	**$6,706**	**$1,736**	**$1,076**	**$1,004**	**$37**	**$3,853**	**$466**	**$1,445**	**$1,516**	**$1,905**	**$5,332**	**$2,238**	**$2,271**	**$2,392**	**$2,914**	**$9,815**	**$16,018**
Disc ops and One-time events	$3,507	$0	$0	($2,714)	($323)	($3,037)	($1,976)	$0	$0	$0	($1,976)	$0	$0	$0	$0	$0	$0
Net Income	$10,213	$1,736	$1,076	($1,710)	($286)	$816	($1,510)	$1,445	$1,516	$1,905	$3,356	$2,238	$2,271	$2,392	$2,914	$9,815	$16,018
Shares out	17,574	17,695	17,623	17,957	17,673	17,737	17,486	17,495	17,518	18,053	17,638	18,250	18,300	18,500	18,600	18,413	19,000
Operating EPS	**$0.38**	**$0.10**	**$0.06**	**$0.06**	**$0.00**	**$0.22**	**$0.03**	**$0.08**	**$0.09**	**$0.11**	**$0.30**	**$0.12**	**$0.12**	**$0.13**	**$0.16**	**$0.53**	**$0.84**
Reported EPS	$0.57	$0.10	$0.06	($0.10)	($0.02)	$0.05	($0.09)	$0.08	$0.09	$0.11	$0.19	$0.12	$0.12	$0.13	$0.16	$0.53	$0.84
GM Roaming	18.3%	13.4%	14.0%	17.8%	9.8%	14.1%	8.3%	6.0%	4.0%	2.7%	5.4%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
GM C2C Network	73.6%	72.0%	69.1%	69.0%	65.5%	69.1%	68.1%	71.4%	71.5%	72.6%	71.1%	73.0%	73.0%	73.0%	73.0%	73.0%	73.0%
GM Systems	53.4%	55.5%	51.4%	52.7%	44.5%	51.5%	46.7%	56.8%	58.2%	60.6%	56.1%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%
Total Gross Margin	59.4%	60.2%	57.3%	57.4%	55.9%	57.9%	60.0%	63.9%	63.9%	67.5%	64.1%	68.4%	68.3%	68.3%	69.3%	68.6%	70.2%
R&D as % of revenue	10.6%	12.0%	11.3%	11.3%	13.8%	12.0%	13.1%	12.1%	13.2%	12.6%	12.7%	12.6%	12.6%	12.6%	12.3%	12.5%	12.0%
S&M as % of revenue	6.8%	7.6%	6.4%	5.7%	6.6%	6.6%	7.5%	5.6%	5.6%	6.5%	6.3%	6.8%	6.9%	6.9%	6.8%	6.8%	6.6%
G&A as % of revenue	8.9%	9.1%	9.5%	8.5%	9.8%	9.2%	9.4%	8.8%	8.3%	12.8%	10.0%	11.7%	11.5%	11.3%	10.7%	11.3%	10.0%
Operating Margin	11.8%	11.2%	7.0%	7.1%	-3.1%	6.1%	2.5%	11.5%	12.3%	13.5%	10.4%	15.2%	15.1%	15.5%	18.3%	16.1%	22.6%
Pretax Margin	14.6%	15.2%	10.5%	10.5%	0.4%	9.7%	5.2%	13.9%	14.6%	15.1%	12.6%	16.8%	16.8%	17.3%	19.9%	17.7%	24.2%
Tax Rate	39.0%	40.0%	40.0%	40.0%	38.3%	40.0%	40.3%	40.0%	40.0%	40.2%	40.1%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%
Net Margin	13.5%	9.1%	6.3%	-10.8%	-2.0%	1.2%	-10.0%	8.3%	8.7%	9.0%	4.7%	10.1%	10.1%	10.4%	11.9%	10.6%	14.5%
EBITDA	**$24,991**	**$6,002**	**$5,156**	**$5,063**	**$3,685**	**$19,906**	**$4,498**	**$6,499**	**$6,379**	**$7,528**	**$24,904**	**$8,279**	**$8,410**	**$8,687**	**$9,657**	**$35,033**	**$45,996**
Net subscriber adds	1,102,000	-881,000	151,000	180,000	-81,000	-1,231,000	228,000	202,000	230,000	479,000	1,139,000	225,000	200,000	175,000	350,000	950,000	800,000
Total # of wireless subscribers		2,111,000	2,262,000	2,442,000	2,361,000	1,761,000	1,989,000	2,191,000	2,421,000	2,900,000	2,900,000	3,125,000	3,325,000	3,500,000	3,850,000	3,850,000	4,650,000
Monthly Minutes of Use (MOUs)		49	57	57	62	64	87	95	95	105	96	107	112	116	120	114	130
Churn		6.6%	6.7%	6.8%	11.5%		10.7%	9.3%	9.7%	9.2%							
Avg. Rev. per minute	$0.037	$0.032	$0.030	$0.027	$0.025	$0.026	$0.024	$0.023	$0.021	$0.020	$0.022	$0.020	$0.020	$0.018	$0.017	$0.019	$0.015
Year over year growth																	
Roaming Services	-21%	-30%	-30%	-32%	-46%	-34%	-53%	-47%	-44%	-40%	-47%	-40%	-40%	-40%	-40%	-40%	-40%
Prepaid Wireless Services	44%	14%	-2%	-20%	-22%	-8%	-13%	15%	30%	61%	21%	63%	40%	42%	23%	40%	24%
Systems	-6%	315%	-6%	19%	-16%	25%	-19%	-7%	-34%	73%	-2%	14%	10%	41%	-16%	7%	5%
Total Revenue	18%	8%	-9%	-20%	-26%	-12%	-21%	1%	9%	48%	7%	47%	30%	33%	15%	30%	20%
EPS		86%	-23%	-53%	-98%	-43%	-73%	35%	55%	4940%	39%	360%	50%	49%	48%	76%	58%
Guidance: Prepaid Rev																*40% growth*	
EPS										*$0.08-$0.10*		*$0.10-$0.12*				*$0.52-$0.58*	

Balance Sheet (Dollars in thousands except per-share data)

Balance Sheet Items ($000s)	Mar-01	Jun-01	Sep-01	Dec-01	Mar-02	Jun-02	Sep-02	Dec-02
Cash and Equivalents	$54,338	$56,820	$58,564	$60,252	$55,169	$54,167	$54,119	$55,075
A/R	$13,339	$11,547	11724	$10,782	$13,981	$12,185	$12,903	$15,739
Inventory	$807	$767	998	$1,036	$862	$594	$845	$583
Deferred taxes				$2,352	$3,358	$2,395	$1,385	$1,603
Prepaid expenses	$951	1320	1322	$1,490	$1,682	$1,826	$1,286	$1,745
Total Current Assets	$69,435	$70,454	$72,608	$75,912	$75,052	$71,167	$70,538	$74,745
PPE	$44,347	$42,411	$40,728	$38,795	$39,877	$42,867	$41,836	$44,896
Goodwill & Other	$3,024	$2,872	$1,998	$1,845	$1,850	$1,841	$1,839	$5,114
Total Assets	$116,806	$115,737	$115,334	$116,552	$116,779	$115,895	$114,213	$124,755
Accounts Payable	$17,843	$15,305	$16,915	$15,942	$19,154	$17,122	$13,756	$19,564
Accrued expenses								
Income taxes payable								
Current matur.- capital leases	$1,212	$1,229	$1,046	$740	$427	$108	$108	$0
Current Liabilities	$19,055	$16,534	$17,961	$16,682	$19,581	$17,230	$13,864	$19,564
Lease oblig. (net of current)/Other	$800	$1,115	$330	$3,040	$3,040	$3,040	$3,040	$3,452
Liabilities	$19,855	$17,649	$18,291	$19,722	$22,621	$20,270	$16,904	$23,016
Shareholders Equity	$96,951	$98,088	$97,043	$96,860	$94,158	$95,625	$97,417	$124,755
BV per share	$5.48	$5.57	$5.40	$5.48	$5.38	$5.47	$5.56	$6.91
DSOs	64	62	67	69	85	64	68	68

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April 24, 2003

Boston Communications Group

(BCGI: $18.29)

equal-weight

Analyst: Howard Smith

Key outlook changes

METRIC		TO	FROM
Rating	DOWN	E	O

Estimates summary

YEAR (DEC)	REVENUE (MILLIONS)	CHANGE	EPS	CHANGE	P/E
2002	$70.9	--	$0.30	39.2%	60.5
2003e	**$98.7**	**39.3%**	**$0.79**	**162.5%**	**23.1**
2004e	**$109.7**	**11.1%**	**$1.00**	**26.4%**	**18.2**

Fundamentals

Equity market capitalization (MM)	$335.4
Debt/total capitalization	0%
Return on average equity (2003e)	13%
Price/book value	3.1
Total market cap./2003e EBITDA	7.0
52-week price range	$6.66 - $20.20

Important disclosures and certifications begin on page 4 of this report. Letter notations refer to specific disclosures.

Downgrade to equal-weight, mainly on valuation

- We have downgraded Boston Communications Group to equal-weight from overweight based on valuation. The stock closed above our price target earlier this week and has stayed relatively close (within 10%) of that level over the last two days.
- We are no less enthusiastic about BCGI's business than we were last week when we wrote our bullish comments. However, we are also no more enthusiastic and can not justify raising our target or changing the methodology we used to arrive at it just a few days ago.
- With the stock holding for several days within 10% of our newly established trading range, we think the shares will trade more in line with the market from current levels in the near term.
- We take this opportunity to 1) elaborate on our valuation methodology, 2) discuss in more detail aspects of customer concentration risk that affect our valuation parameters, and 3) address specific questions we have received concerning Verizon (VZ: $36.03) over recent days.

Valuation methodology

Elaborating a little more on our valuation methodology and outlook concerning this stock, we think it is one of the more difficult names to value due to the relatively binary outcome of the significant risk factors. One could certainly picture a bullish scenario where 1) the Freedom Wireless patent dispute amounts to nothing, 2) Verizon Wireless (BCGI's 51% customer) renews its contract that

expires this year on reasonable terms, and 3) Cingular and other national carrier customers more aggressively promote prepaid, causing a substantial increase in subscribers on the BCGI network. This scenario would likely drive earnings and the shares to much higher levels, and this bullish scenario doesn't even factor in the distinct possibilities of above-forecast growth in monthly minutes of use or adding any additional major customers.

On the other hand, loss of Verizon or a major setback in the patent dispute could cause the shares to spiral downward with little warning. We have tried to factor in such risks by putting an unusually high discount rate (18%) in our discounted cash flow analysis and also by using a P/E multiple of 20, well below the company's near-term growth rate, to value the shares. This was the basis of our previous $20 12-month price target. We do recognize the most likely share price a year from now is either significantly above current levels if momentum continues and no negative news comes from Verizon or Freedom Wireless, or significantly below current levels if developments are negative. We simply can't advise investors to chase the shares despite current momentum until the risk level we perceive lessens.

Customer concentration

One of the issues we have discussed in the past and is constantly present in our mind as we value the company is its customer concentration. This is not exclusively a risk that a contract will not be renewed and thus only present itself at contract expiration. Even if a contract is renewed and on reasonable terms, there is still the risk that a major customer could alter its strategy on prepaid in a way that negatively impacts BCGI. First of all, such a customer could fail in continuing to add prepaid customers or could change corporate strategy away from promoting its prepaid options. This, of course, would slow BCGI's growth. We think investors understand this risk but have not been concentrating on it of late due to prepaid momentum at a variety of carriers that include both customers of BCGI and others.

Another issue that may be under-appreciated at present by some investors is that a major shift by a customer to more aggressively promote prepaid could also be negative for BCGI. This may seem counter-intuitive but has some economic logic behind it in that if prepaid passes some threshold of cost in what the customer pays to BCGI, the economics of outsourcing may shift in favor of the customer building its own network (i.e., insourcing the services provided by BCGI).

For example, Verizon, BCGI's largest customer, currently pays BCGI about $46 million per year. BCGI has $55 million in property plant and equipment. Though some of its network is fully depreciated, other parts were recently upgraded, so we think it's a reasonable starting point from which to estimate the cost to build a duplicate network from scratch. BCGI spends about $20 million a year to run the prepaid network in addition to depreciation on the assets. In addition, there is an element of R&D that goes to constantly improve the network. Let's assume Verizon doubles its business with BCGI and is approaching $100 million in annual payments to BCGI. The economics of building out the network (which we estimate at roughly $50+ million up-front and maybe $10 million a year in maintenance capital spending), operating the network, and enhancing the service through R&D at a similar cost to BCGI's ($20 million per year operations and $12 million R&D) starts to become economically compelling. That said, one's analysis should go beyond economics to consider factors such as the service level BCGI has built up through many years of experience with outages and other problems and the replenishment and other ancillary services that surround its offering. Still, if a customer really wanted to, it

could replicate these service levels in house, though only over time.

Therefore, if Verizon or any other customer continues a strong commitment to prepaid, we could envision an overall customer corporate strategy for building up in-house capabilities. A customer could do this while still relying on BCGI for service. Therefore, a renewal of a BCGI contract on favorable terms would not necessarily be inconsistent with this strategy. Over time, Verizon could build up its expertise and slowly add or convert subscribers to its own network.

The economics underpinning the logic we have just walked through are constantly present (as they have been for the last year as BCGI bested estimates quarter after quarter and has seen its stock price respond in support of the solid results), and the risk they present will affect our view of the stock until such time as customer concentration broadens to an extent that, though the economic argument persists, the ability of a single customer acting on it to materially damage the prospects of BCGI goes away. Clearly, this risk was highlighted in 2001 when Rogers AT&T insourced the service they previously secured from BCGI. We note that while Cingular signed a multi-year agreement last year, the economics of this argument are ever-present and are not dependent on any contract renewal cycle. The only difference between Verizon and Cingular is that the economics driving an in house solution at Cingular are behind those of Verizon, as Cingular only pays roughly half of what Verizon pays, and we believe the costs to build out and maintain an in house solution at Cingular would be similar.

Specific Verizon contract outlook/discussions

We devote significant space in this note to commenting on the overall customer concentration risk because it affects our thinking much more than the concern of the day or the immediate sentiment regarding Verizon or any other major customer. We think it is important to understand this dynamic more than the specifics, and nothing we have heard recently has changed our thinking about this point.

That said, we have received so many inquiries regarding Verizon over recent days that we do comment on the specifics below:

As we have published in our recent notes, we think there is a high likelihood Verizon renews its contract with BCGI. We think the comments made by BCGI management that it is in active negotiations to renew the contract 1) are atypical (historically, BCGI has never commented on contract negotiations) and 2) required permission of Verizon mangement. We think these two factors increase the bias we already had from other signals in the market that the contract will be renewed.

Therefore, in our mind, the primary contract risk is terms, and on this front we think BCGI will try to give its biggest incentives for incremental minutes and try to avoid a major across-the-board price cut. The overall effect if Verizon increases minutes substantially over the life of the contract is the same under either approach, but the near-term hit to BCGI on a revenue per minute basis is avoided if most of the pricing incentives are for incremental minutes. Focusing on incentives for incremental minutes is a strategy BCGI has used in its other recent renewals of contracts.

We have been asked about, over the last quarter and even more so in the last few days, discussions in the investment community that Verizon is either not going to renew or is having a major strategy shift regarding its relationship with BCGI. Some discussions suggest Verizon has contracted with a third party systems integrator and a third party platform provider for an in-house solution. We cannot confirm nor do we have a reasonable basis to definitively rule out this

possibility. We note this possibility has been discussed in the past and the stock has nonetheless performed well.

We think such a specific possibility (i.e., an in-house prepaid platform being integrated into the Verizon network) should be considered in the broader context of our above discussion of insourcing versus outsourcing, which means taking into account that 1) if Verizon is contracting with a prepaid solution provider, it could be for services entirely separate and/or complementary to services BCGI provides and 2) such a move would not necessarily be inconsistent with a renewal of the BCGI contract by Verizon. In our view, this possibility only serves as a reminder of the risk that should already be on investors' minds and inherent in the multiple one is willing to pay for the shares. The argument is that of customer concentration outlined above and holds regardless of whether Verizon has contracted with another party or not.

COMPANY DESCRIPTION

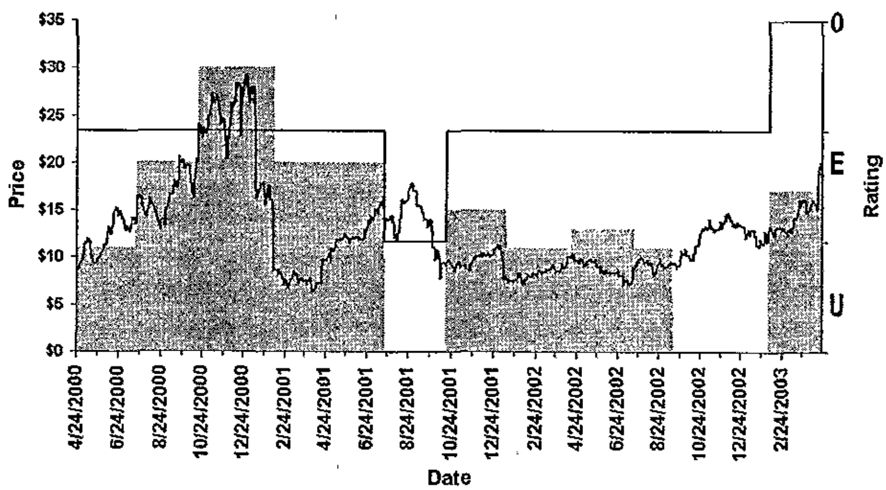
Leader in outsourced services and systems to wireless telecommunications carriers.

ANALYST CERTIFICATION

I, Howard Smith, attest the views expressed in this document accurately reflect my personal views about the subject securities and issuers. I further attest no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by me herein.

PRICE, RATING, AND TARGET PRICE HISTORY*

Date	Close	Target	Rating
4/24/2000	$8.63	$11	2
7/20/2000	$16.56	$20	2
10/19/2000	$24.00	$30	2
2/7/2001	$8.63	$20	2
7/19/2001	$12.84		3
10/18/2001	$9.31	$15	2
1/11/2002	$7.97	$11	2
4/18/2002	$10.42	$13	2
7/17/2002	$9.03	$11	2
9/12/2002	$9.24		E
2/6/2003	$13.31	$17	O
4/17/2003	$18.90	$20	O



*Left axis is stock price (gray area indicates 12-month price target); right axis is rating (line indicates rating level). Prior to Sept. 12, 2002, the rating corresponding to the "O" level was "strong buy (1)"; the "E" level, "accumulate (2)"; and the "U" level, "neutral (3)." Prior to that date, we also used the bottom level on the right axis, which corresponded to "underperform (4)." The data in this chart are current as of the last trading date prior to the date of this report.

Earnings Model (Dollars in thousands except per-share data)

	2000	Mar-01	Jun-01	Sep-01	Dec-01	2001	Mar-02	Jun-02	Sep-02	Dec-02	2002e	Mar-03	Jun-03e	Sep-03e	Dec-03e	2003e	2004e
Roaming Services	$17,650	$3,341	$3,211	$3,109	$2,009	$11,670	$1 583	$1,691	$1,743	$1,207	$6,224	$937	$1,015	$1,046	$724	$3,722	$2,233
Prepaid Wireless Services	$53,218	$14,025	$12,442	$11,169	$11,110	$48,746	$12,139	$14,321	$14,522	$17,882	$58 864	$21,074	$21,398	$23,010	$23,754	$89,236	$100,982
Total Service Revenue	$70,868	$17,366	$15,653	$14,278	$13,119	$60,416	$13,722	$15,012	$16,265	$19,089	$65,088	$22,011	$22,412	$24,056	$24,478	$92,957	$103,215
System Revenue	$4,699	$1,623	$1,464	$1,609	$1,171	$5,867	$1,320	$1,360	$1,061	$2,031	$5,772	$1,056	$1,500	$1,500	$1,700	$5,756	$6,500
Total Revenues	**$75,567**	**$18,989**	**$17,117**	**$15,887**	**$14,290**	**$66,283**	**$15,042**	**$17,372**	**$17,326**	**$21,120**	**$70,860**	**$23,067**	**$23,912**	**$25,556**	**$26,178**	**$98,713**	**$109,715**
Cost of roaming	$14,420	$2,894	$2,763	$2,556	$1,813	$10,026	$1,452	$1,589	$1,674	$1,175	$5,880	$914	$984	$1,014	$702	$3,615	$2,166
Cost of C2C	$14,036	$3,934	$3,839	$3,458	$3,834	$15,065	$3,869	$4,092	$4,134	$4,899	$16,994	$4,990	$5,135	$5,523	$5,701	$21,349	$23,226
Cost of Services	$28,456	$6,828	$6,602	$6,014	$5,647	$25,091	$5,321	$5,681	$5,808	$6,074	$22,884	$5,904	$6,120	$6,537	$6,403	$24,964	$25,392
Cost of Systems	$2,190	$723	$712	$761	$650	$2,846	$703	$588	$444	$800	$2,535	$567	$750	$750	$850	$2,917	$3,250
Gross Profit	**$44,921**	**$11,438**	**$9,803**	**$9,112**	**$7,993**	**$38,346**	**$9,018**	**$11,103**	**$11,074**	**$14,246**	**$45,441**	**$16,596**	**$17,043**	**$18,269**	**$18,925**	**$70,833**	**$81,074**
R&D	$8,018	$2,273	$1,933	$1,794	$1,974	$7,974	$1,973	$2,104	$2,286	$2,651	$9,014	$2,869	$3,000	$3,100	$3,200	$12,169	$13,300
Sales & Marketing	$5,159	$1,444	$1,096	$905	$938	$4,383	$1,129	$977	$976	$1,365	$4,447	$1,567	$1,500	$1,600	$1,650	$6,317	$6,949
General & Administrative	$6,753	$1,719	$1,618	$1,350	$1,396	$6,083	$1,418	$1,523	$1,433	$2,702	$7,076	$2,800	$2,800	$2,800	$2,800	$11,200	$11,500
D&A	$16,045	$3,866	$3,954	$3,936	$4,126	$15,882	$4,128	$4,493	$4,255	$4,682	$17,558	$4,392	$4,600	$4,900	$5,000	$18,892	$20,000
Total Operating Expenses	$35,975	$9,302	$8,601	$7,985	$8,434	$34,322	$8,648	$9,097	$8,950	$11,400	$38,095	$11,628	$11,900	$12,400	$12,650	$48,578	$51,749
Operating Income	**$8,946**	**$2,136**	**$1,202**	**$1,127**	**($441)**	**$4,024**	**$370**	**$2,006**	**$2,124**	**$2,846**	**$7,346**	**$4,968**	**$5,143**	**$5,869**	**$6,275**	**$22,255**	**$29,325**
Net Interest/Other Income	$2,049	$756	$590	$546	$501	$2,393	$411	$401	$402	$338	$1,552	$336	$330	$330	$340	$1,336	$1,400
Pretax Income	$10,995	$2,892	$1,792	$1,673	$60	$6,417	$781	$2,407	$2,526	$3,184	$8,898	$5,304	$5,473	$6,199	$6,615	$23,591	$30,725
Taxes	$4,289	$1,156	$716	$669	$23	$2,564	$315	$962	$1,010	$1,279	$3,566	$2,016	$2,080	$2,356	$2,514	$8,965	$11,675
Net Income - continuing ops	**$6,706**	**$1,736**	**$1,076**	**$1,004**	**$37**	**$3,853**	**$466**	**$1,445**	**$1,516**	**$1,905**	**$5,332**	**$3,288**	**$3,393**	**$3,844**	**$4,101**	**$14,626**	**$19,049**
Disc ops and One -time events	$3,507	$0	$0	($2,714)	($323)	($3,037)	($1,976)	$0	$0	$0	($1,976)	$0	$0	$0	$0	$0	$0
Net Income	$10,213	$1,736	$1,076	($1,710)	($286)	$816	($1,510)	$1,445	$1,516	$1,905	$3,356	$3,288	$3,393	$3,844	$4,101	$14,626	$19,049
Shares out	17,574	17,695	17,623	17,957	17,673	17,737	17,486	17,495	17,518	18,053	17,638	18,340	18,300	18,500	18,600	18,435	19,000
Operating EPS	**$0.38**	**$0.10**	**$0.06**	**$0.06**	**$0.00**	**$0.22**	**$0.03**	**$0.08**	**$0.09**	**$0.11**	**$0.30**	**$0.18**	**$0.19**	**$0.21**	**$0.22**	**$0.79**	**$1.06**
Reported EPS	$0.57	$0.10	$0.06	($0.10)	($0.02)	$0.05	($0.09)	$0.08	$0.09	$0.11	$0.19	$0.18	$0.19	$0.21	$0.22	$0.79	$1.00
GM Roaming	18.3%	13.4%	14.0%	17.8%	9.8%	14.1%	8.3%	6.0%	4.0%	2.7%	5.4%	2.5%	3.0%	3.0%	3.0%	2.9%	3.0%
GM C2C Network	73.6%	72.0%	69.1%	69.0%	65.5%	69.1%	68.1%	71.4%	71.5%	72.6%	71.1%	76.3%	76.0%	76.0%	76.0%	76.1%	77.0%
GM Systems	53.4%	55.5%	51.4%	52.7%	44.5%	51.5%	46.7%	56.8%	58.2%	60.6%	56.1%	46.3%	50.0%	50.0%	50.0%	49.3%	50.0%
Total Gross Margin	59.4%	60.2%	57.3%	57.4%	55.9%	57.9%	60.0%	63.9%	63.9%	67.5%	64.1%	71.9%	71.3%	71.5%	72.3%	71.8%	73.9%
R&D as % of revenue	10.6%	12.0%	11.3%	11.3%	13.8%	12.0%	13.1%	12.1%	13.2%	12.6%	12.7%	12.4%	12.5%	12.1%	12.2%	12.3%	12.1%
S&M as % of revenue	6.8%	7.6%	6.4%	5.7%	6.6%	6.6%	7.5%	5.6%	5.6%	6.5%	6.3%	6.8%	6.3%	6.3%	6.3%	6.4%	6.3%
G&A as % of revenue	8.9%	9.1%	9.5%	8.5%	9.8%	9.2%	9.4%	8.8%	8.3%	12.8%	10.0%	12.1%	11.7%	11.0%	10.7%	11.3%	10.5%
Operating Margin	11.8%	11.2%	7.0%	7.1%	-3.1%	6.1%	2.5%	11.5%	12.3%	13.5%	10.4%	21.5%	21.5%	23.0%	24.0%	22.5%	26.7%
Pretax Margin	14.6%	15.2%	10.5%	10.5%	0.4%	9.7%	5.2%	13.9%	14.6%	15.1%	12.6%	23.0%	22.9%	24.3%	25.3%	23.9%	28.0%
Tax Rate	39.0%	40.0%	40.0%	40.0%	38.3%	40.0%	40.3%	40.0%	40.0%	40.2%	40.1%	38.0%	38.0%	38.0%	38.0%	38.0%	38.0%
Net Margin	13.5%	9.1%	6.3%	-10.8%	-2.0%	1.2%	-10.0%	8.3%	8.7%	9.0%	4.7%	14.3%	14.2%	15.0%	15.7%	14.8%	17.4%
EBITDA	**$24,991**	**$6,002**	**$5,156**	**$5,063**	**$3,685**	**$19,906**	**$4,498**	**$6,499**	**$6,379**	**$7,628**	**$24,904**	**$9,360**	**$9,743**	**$10,769**	**$11,275**	**$41,147**	**$49,325**
Net subscriber adds	1,102,000	-881,000	151,000	180,000	-81,000	-1,231,000	228,000	202,000	230,000	479,000	1,139,000	455,000	200,000	175,000	350,000	1,180,000	1,200,000
Total # of wireless subscribers		2,111,000	2,262,000	2,442,000	2,361,000	1,761,000	1,989,000	2,191,000	2,421,000	2,900,000	2,900,000	3,355,000	3,555,000	3,730,000	4,080,000	4,080,000	5,280,000
Monthly Minutes of Use (MOUs)		49	57	57	62	64	87	95	95	105	96	106	107	109	111	108	120
Churn		6.6%	6.7%	6.8%	11.5%		10.7%	9.3%	9.7%	9.2%		8.0%					
Avg. Rev. per minute	$0.037	$0.032	$0.030	$0.027	$0.025	$0.026	$0.024	$0.023	$0.021	$0.020	$0.022	$0.019	$0.018	$0.017	$0.016	$0.018	$0.015
Year over year growth																	
Roaming Services	-21%	-30%	-30%	-32%	-46%	-34%	-53%	-47%	-44%	-40%	-47%	-41%	-40%	-40%	-40%	-40%	-40%
Prepaid Wireless Services	44%	14%	-2%	-20%	-22%	-8%	-13%	15%	30%	61%	21%	74%	49%	58%	33%	52%	13%
Systems	-6%	315%	-6%	19%	-16%	25%	-19%	-7%	-34%	73%	-2%	-20%	10%	41%	-16%	0%	13%
Total Revenue	18%	8%	-9%	-20%	-26%	-12%	-21%	1%	9%	48%	7%	53%	38%	48%	24%	39%	11%
EPS		86%	-23%	-53%	-98%	-43%	-73%	35%	55%	4940%	39%	573%	124%	140%	109%	162%	26%
Guidance: Prepaid Rev																*40% growth*	
EPS										*$0.08-$0.10*		*$0.10-$0.12*	*$0.19-$0.20*			*$0.78-$0.80*	

Balance Sheet (Dollars in thousands except per-share data)

	2000	Mar-01	Jun-01	Sep-01	Dec-01	2001	Mar-02	Jun-02	Sep-02	Dec-02	2002e	Mar-03	Jun-03e	Sep-03e	Dec-03e	2003e	2004e
Balance Sheet Items ($000s)																	
Cash and Equivalents		$54,338	$56,820	$58,564	$60,252		$55,169	$54,167	$54,119	$55,075		$48,593					
A/R		$13,339	$11,547	11724	$10,782		$13,981	$12,185	$12,903	$15,739		$18,132					
Inventory		$807	$767	998	$1,036		$862	$594	$845	$583							
Deferred taxes					$2,352		$3,358	$2,395	$1,385	$1,603		$1,603					
Prepaid expenses		$951	1320	1322	$1,490		$1,682	$1,826	$1,286	$1,745		$3,306					
Total Current Assets		$69,435	$70,454	$72,608	$75,912		$75,052	$71,167	$70,538	$74,745		$71,634					
PPE		$44,347	$42,411	$40,728	$38,795		$39,877	$42,887	$41,836	$44,896		$55,099					
Goodwill & Other		$3,024	$2,872	$1,998	$1,845		$1,850	$1,841	$1,839	$5,114		$5,085					
Total Assets		$116,806	$115,737	$115,334	$116,552		$116,779	$115,895	$114,213	$124,755		$131,818					
Accounts Payable		$17,843	$15,305	$16,915	$15,942		$19,154	$17,122	$13,756	$19,564		$20,819					
Accrued expenses																	
Income taxes payable																	
Current matur.- capital leases		$1,212	$1,229	$1,046	$740		$427	$108	$108	$0		$0					
Current Liabilities		$19,055	$16,534	$17,961	$16,682		$19,581	$17,230	$13,864	$19,564		$20,819					
Lease oblig. (net of current)/Other		$800	$1,115	$330	$3,040		$3,040	$3,040	$3,040	$3,452		$3,452					
Liabilities		$19,855	$17,649	$18,291	$19,722		$22,621	$20,270	$16,904	$23,016		$24,271					
Shareholders Equity		$96,951	$98,088	$97,043	$96,860		$94,158	$95,625	$97,417	$101,739		$107,547					
BV per share		$5.48	$5.57	$5.40	$5.48		$5.38	$5.47	$5.56	$5.64		$5.86					
DSOs		64	62	67	69	0	85	64	68	68		72					
Capex	24000	2700	1900	2100		9300				7,400	23,000	14,600				32000	20000

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ABBREVIATIONS AND ACRONYMS: The meaning of the following abbreviations and acronyms has been identified as not common knowledge, and we therefore provide these explanations. DSOs: Days sales outstanding.

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EXHIBIT 4

Boston Communications Group (ticker: BCGI, exchange: NASDAQ) News Release - 7/16/2003

Boston Communications Group Reports Earnings For The Second Quarter Of 2003

Woburn, MA – July 16, 2003 - Boston Communications Group, Inc. (Nasdaq: BCGI) today announced that its consolidated GAAP net income for the second quarter ended June 30, 2003 totaled $4.1 million, or $0.22 per share, which includes $725,000, or $0.02 per share after taxes, in legal charges to defend the Freedom Wireless suit. These earnings were up 183% over net income of $1.4 million, or $0.08 per share, for the second quarter of 2002. Total revenues for the second quarter increased 52% to $26.4 million from $17.4 million in the second quarter of 2002 and increased 15% from $23.1 million in the first quarter of 2003.

For the six months ended June 30, 2003, *bcgi* reported GAAP net income of $7.4 million, or $0.40 per share, which includes $1.6 million, or $0.05 per share after taxes, in legal charges primarily to defend the Freedom Wireless suit. This represents a significant increase over the break-even results for the six months ended June 30, 2002. The increase in GAAP earnings for the six month period was principally the result of a 71%, or $18.7 million increase in Billing and Transaction Processing revenues.

Billing and Transaction Processing Services

Billing and Transaction Processing Services, which include the Company's Prepaid Wireless Services, Voyager Billing and Customer Care, and Payment Services, generated revenues of $24.1 million in the second quarter of 2003. This represents a 68% increase over the second quarter of 2002 and a 14% increase over the first quarter of 2003. Gross margins on Billing and Transaction Processing Services Revenues were 75% compared to 71% in the second quarter of 2002. The gross margin for the second quarter of this year was slightly below the first quarter 2003 gross margin of 76% principally due to resources added to support the Company's growth and both additional and one-time costs incurred to start-up the Company's new building in Bedford, Massachusetts. The higher than expected revenues were principally due to higher than expected billed minutes of use, which on average were 113 minutes per month per subscriber. In addition, net prepaid subscriber additions were 230,000 for the quarter, bringing total prepaid subscribers on the platform to 3.58 million, a 64% increase over June 30, 2002.

"Our performance for the quarter reflects the continued momentum and strength of our carriers' prepaid offerings, leading to strong subscriber growth and billed minutes of use. Our carrier customers continue to show their commitment to the marketing and promotion of profitable, branded prepaid solutions in segments that have previously been under-served. We are also pleased with our ability to sign up new customers across our widening breadth of wireless service offerings, particularly in our Payment Services business," commented E. Y. Snowden, President and CEO.

Freedom Wireless Update

During the quarter ended June 30, 2003, the Company incurred $725,000 in legal costs, or approximately $0.02 per share after taxes, primarily for the continued defense of the Freedom Wireless patent infringement suit. These costs are below previous guidance. Going forward, costs are not expected to exceed our previous quarterly guidance of $0.03 per share after tax, until the matter is resolved. There has been no change to the Company's position on the case and *bcgi* remains confident that it does not infringe the Freedom Wireless patents and that the patents are invalid and unenforceable in light of prior art and for other reasons.

Verizon Wireless Contract Renewal Update

As the Company has stated in its public disclosures, its contract with Verizon Wireless is scheduled, according to its terms, to be renegotiated in 2003. The Company is currently in contract discussions with Verizon Wireless. The terms and conditions, including the length of the contract and pricing have not yet been determined. Verizon Wireless has also requested that *bcgi* provide support services to assist

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Verizon Wireless in testing its own internal prepaid platform in 2004 which could potentially displace prepay services currently being provided by *bcgi*. None of the Company's contracts are exclusive and its carrier customers have and continue to use and/or test competing products in certain markets. The Company believes *bcgi's* real-time transaction processing and support solutions best meet the technology, functionality and profitability goals of its carriers today, and in the future.

Outlook

The Company is raising its 2003 GAAP earnings guidance to $0.87 to $0.88 per share from $0.78 to $0.80 per share, which includes an estimate of $0.11 per share in legal costs primarily to defend the Freedom Wireless lawsuit. The Company anticipates GAAP earnings of $0.23 to $0.24 per share for the third quarter of 2003 and $0.24 to $0.25 per share for the fourth quarter of 2003, both of which include $0.03 per share in estimated legal costs.

Mr. Snowden concluded, "The quality of our services, robust features and cutting-edge technology have enabled the leading wireless carriers to gain momentum and market share in one of the highest growth segments in wireless. In addition, new products that we have launched and those that are in development enable wireless carriers to not only expand their competitive offerings, but increase average revenue per user (ARPU) on existing programs. We continue to be focused on our long-term strategy and the prudent investments we continue to make in new features, products and businesses are expected to enable us to continue to retain and expand existing and new customer relationships. Our Billing and Transaction Processing Services business remains well positioned to capitalize on our carrier's continued emphasis on prepaid as an integral part of their wireless growth strategy."

The Company will be holding a conference call and Webcast at 5:00PM on Wednesday, July 16, 2003 to discuss results for the period ended June 30, 2003 and management's outlook. The Company's President and CEO, E.Y. Snowden, and Chief Financial Officer, Karen A. Walker, will host the call. Parties interested in listening to the call should dial 1-800-423-5972 at least 10 minutes prior to the start of the call. For those unable to participate at the designated time, a replay will be available for 7 days following the call via telephone at 1-800-642-1687 (conf id 1556222) and for one year on the web at www.bcgi.net.

ABOUT THE COMPANY

Boston Communications Group, Inc. (NASDAQ: BCGI), an S&P Small Cap 600 Index company and Russell 2000 Index company, is a leader in transaction processing solutions for real-time wireless subscriber management, payment services, billing and customer care. Through these solutions, *bcgi* delivers prepaid and postpaid billing, wireless account recharge and mobile commerce. Founded in 1988, *bcgi* provides solutions to carriers through a combination of its industry-leading, proprietary software applications, world-class infrastructure and data centers, expertise in telecommunications platform integration, and flexible implementation models. *bcgi* provides one or more of its solutions to more than 100 wireless operators worldwide, including five of the top six U.S. carriers. Please visit the *bcgi* Web site at http://www.bcgi.net.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This press release contains, in addition to historical information, forward-looking statements that involve risks and uncertainties including statements regarding earnings per share estimates and estimates of future legal expenses. Such statements are based on management's current expectations and are subject to a number of uncertainties and risks that could cause actual results to differ materially from those described in the forward-looking statements. Among the important factors that would cause actual results to differ materially from those indicated by such forward looking statements are the loss of a customer or certain of their markets, specifically, Verizon Wireless and Cingular Wireless who represented 52% and 25%, respectively, of the Company's consolidated revenues for the six months ended June 30, 2003, or greater than expected pricing reductions from major carrier customers, an unfavorable judgment in the Freedom Wireless suit which could result in substantial damages and could significantly restrict *bcgi's* ability to conduct business, as well as the others factors that may affect future operating results detailed in *bcgi's* quarterly report on Form 10-Q for the quarter ended March 31, 2003 and annual report on Form 10-K for the year ended December 31, 2002 filed with the Securities and Exchange Commission.

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To view this release with financial information click here

EXHIBIT 5

BCGI
BCGI 2nd Quarter Earnings Call
Leader, E.Y. Snowden
ID#1556222
07/16/03

Date of Transcription: November 13, 2003

Operator: Good afternoon. My name is Katina and I will be your conference facilitator today. At this time I would like to welcome everyone to the Boston Communications Group Second Quarter 2003 earnings conference call. All lines have been placed on mute to prevent any background noise. After the speaker's remarks there will be a question and answer period. If you would like to ask a question during this time, simply press star then the number one on your telephone keypad. If you would like to withdraw your question, press star and then the number two on your telephone keypad. Thank you.

Mr. Saltzburg you may begin your conference.

Peter Saltzburg: Thanks. By now you should have all had the chance to view today's press release, but if anyone still needs a copy please call us at 212.445.8453 and request a fax or E-mail alternatively view and download it at Boston Communications Group's corporate web site www.bcgi.net.

On the line with us today are E.Y. Snowden, President and CEO; Karen Walker, Chief Financial Officer of Boston Communications Group.

Please note that management is happy to speak privately with investors and analysts regarding overall strategy, industry trends and historical issues, however more specific questions regarding updates and financial guidance or other material information will only be discussed in widely disseminated press releases or by open conference call such as the one being held today.

I would also like to caution everyone that various remarks that the company might make about the company's future expectations, plans and prospects constitute forward-looking statements for the purposes of the Safe Harbor provisions under the Private Securities Litigation Reform Act of 1995. Actual results may differ materially from those indicated by those forward-looking statements as the result of various important factors, including those discussed in the Form 10-Q for the three months ended March 31, 2003 and Form 10-K for the year ended December 31, 2002, which are on file with the SEC.

In addition any forward-looking statements represent our view only as of today and should not be relied upon as representing our views as of any subsequency [sic]. While we may elect to update forward-looking statements at some point in the future, we specifically disclaim any obligation to these even if our estimates change and, therefore, you should not rely on these forward-looking statements as representing our views as of any date subsequent to today.

Now without further delay I would like to turn the call over to E.Y. Snowden. Please go ahead E.Y.

E.Y. Snowden: Thank you Peter and again welcome to Boston Communication Group's Second Quarter 2003 conference call.

We will be talking with you today about another record breaking quarter at BCGI as well as an update on our Verizon Wireless contract negotiations. For the second quarter of 2003 our record results include record GAAP earnings per share of $0.22; up 183% from the second quarter of last year. Corporate revenues of $26.4 million; up 53% from second quarter 2002; billing and transaction processing services revenues of $24.1 million up 68% from a year ago. Average uses per subscriber of 113 minutes per month, up 19% from second quarter '02; and a customer base of 3.58 million subscribers, up 64% from June 30, 2002. As a result of this strong performance the company's financial condition has never been stronger.

As we have stated in public disclosures our contract with Verizon wireless is scheduled to be renegotiated in 2003. During the course of our contract renegotiation we were asked to attend a meeting late Friday afternoon at Verizon Wireless offices and during the meeting we were given a formal request intended to become an addendum to our contract to provide support services to assist Verizon Wireless in testing its own internal prepaid platform in 2004.

While they did not intend to make a public announcement of this, they stated that we were free to, as long as they approved any language we would use. Today we received that approval for the language in this press release.

So what does this mean to BCGI? As is evident from our results this quarter our financial condition has never been stronger. We are raising our GAAP earnings guidance for 2003 to $0.87-$0.88/share from $0.78-$0.80 as we expect continued strength in the quarters ahead.

As stated in our press release none of our carrier contracts are exclusive and our carrier customers have and continue to use and/or test competing products in certain markets. We have discussed how customers of our have in the past taken part of their business in-house only to subsequently write off purchased equipment and return to BCGI's end to end prepaid wireless solution.

Experiences like this come from the fact that doing prepaid wireless well requires expertise in a broad combination of unique skills. The networking expertise required to perform real time call control is found in a different kind of company than the billing expertise required to perform event rating and subscriber management, particularly for real time high volume billing.

And a different set of skills and experiences are required to perform the uniquely prepaid aspects of off network roaming for non-registered subscribers, all of the voucher card managements, integration to electronic financial networks, integration to enhanced services including SMS, Brew and other M Commerce, self-care and web care, etc.

It is Boston Communication Group's expertise in this diverse set of skills coming from years of leadership in providing prepaid wireless services that has established BCGI's unprecedented competitive strength.

Over the course of the last year we have been prudent in managing our operational growth, making wise investments in both human and physical capital. We have done this toward the goal of advancing our platform and service and its ability to deliver high volume, high reliability low cost leading edge functionality to support our current services as well as exciting new services.

Our success in this goal is helping to diversify our customer and product bases and we will continue to invest and hire wisely and

appropriately bring in skills and assets to further that goal.

As a result of our success in building this industry leading platform we have an unprecedented level of new business activity with carriers regarding our current and new products, some representing very large opportunities.

And so in the third quarter and beyond we will continue to leverage the strengths of our earnings, cash flow and balance sheet to meet new opportunities and execute on our long term plan. It is clear that we have succeeded in helping prepaid enabled products to become a focus of new growth for the entire wireless industry. As a result our future success is no longer dependent upon nurturing the prepaid programs or the small number of carriers who were early to adopt the new feature rich non-contract products, but now may come from taking our share of the broad industry wide adoption of this high growth category, as well as our success with the newest growth initiatives that we have begun.

Now I would like to hand the call over to Karen Walker, our Chief Financial Officer to discuss our financial performance and guidance.

Karen Walker: Thank you Eli. During the quarter we generated record revenue to $26.4 million, 15% higher than the first quarter of '03 and a 52% increase compared to Q2 of '02. Our GAAP net income was $0.22/share including $0.02/share in legal charges for Freedom Wireless and exceeded our GAAP guidance of $0.19-$0.20.

The driver of our growth continues to be our billing and transaction processing services, or BTPS business. Total BTPS revenues were $24.1 million for the quarter, a 68% increase over Q2 '02 and 14% sequential increase.

The growth for this business was again generated by our prepaid wireless services as 230,000 net subscribers were added to the platform, bringing the total number of subscribers to 3.58 million as of March 31st. Our net ad number was at the higher end of our guidance as our carriers continued to market and emphasize their prepaid offerings. The net subscribers also reflect its expected seasonal reduction in growth ads and the transition of our subscriber base to predominantly full featured digital subscribers.

Thus since nearly all of the known analog subscribers have been removed or turned off our database, our subscriber calculation no longer needs to factor in these non-performing subscribers.

Average billed minutes of use increase 113 minutes per month per subscriber, a 19% year-over-year increase and at 7% sequential increase. These trends reflect the continued adoption of rich new features by our carrier subscribers such as SMS and downloadable ring tones for which our platform enables real time billing.

The turn for the quarter was about 8% per month consistent with Q1. Our average billed rate per minute declined about 5% sequentially and was in line with our guidance even though minutes were higher than expected.

Our BTPS growth margin decreased slightly to 75% compared to 76% from the first quarter of '03 due principally to additional resources added to support our growth as well as additional costs required to launch our new data center, some of which were onetime costs.

Prepaid systems revenues were $1.4 million, a healthy increase compared to the previous quarter. Our gross margin decreased to 39% from 46% in the first quarter of '03. This lower gross margin was due to fewer high margin expansion sales as well as the sale of a third party product integrated with our systems at lower than normal margins.

Our engineering, research and development costs increased 17% over Q2 and were consistent with the prior quarter as a percentage of revenue. The number of exciting new products and technologies that we have in development has never been stronger and we expect that several of these will be commercially available by early 2004.

We believe that our continued innovation and corresponding investment in new products and cutting edge features have driven our success to date and will continue to do so in the future.

Depreciation increased sequentially and was principally a result of our new building and its related assets being placed into service, along with other equipment and software necessary to support our

business. I should note that our execution on our move to our second data center in our new building has been first rate and on time. We continue to be very excited and pleased about the infrastructure and resources that our new facilities bring us, as well as the long term positive economics.

Capital expenditures totaled $8.9 million for the quarter bringing our year-to-date total to $23.5 million. Our balance sheet continues to remain strong with cash and short term investments of about $56 million as of June 30th and no debt.

Cash increased due to our strong profits as well as a substantial decrease in DSO from 73 days to 64 days at June 30th, much better than our expected target and caused by the timing of some large receipts at the end of the quarter.

Our working capital also increased by about $6 million due principally to accounts payable related to capital purchases that were received near the end of the quarter and not yet paid for.

I would now like to spend some time talking in more detail about our outlook for the remainder of 2003. As noted in today's release we are increasing our GAAP earnings guidance to $0.87-$0.88/share compared with our previous guidance of $0.78-$0.80/share. This guidance includes after tax quarterly legal charges of approximately $0.03/share until the Freedom Wireless matter is resolved.

We remain confident that we do not infringe the Freedom Wireless patents and that the patents are invalid and unenforceable in light of prior art and other reasons. At the appropriate time we expect to file summary judgment motions, but the specific timing as to when motions can be filed and then decided upon is not definitive. We believe that our case continues to progress well and there has been no change to our position in the case.

For the third quarter of '03 we expect GAAP earnings to range between $0.23 and $0.24/share including the legal charges of $0.03/share. This guidance reflects growth and BTPS, which is tempered by our traditional seasonally slow third quarter. Our guidance also continues to reflect our investment in our payment services business. Our revised guidance reflects expected year-

over-year growth in BTPS revenues of approximately 60%, an increase from the 50% we had stated in last quarter's call. This includes a reiteration of our guidance for net prepaid subscriber additions of $1.1-1.3 million and reflects an expected seasonally slow Q3 as more holiday turn is expected to occur. Accordingly we expect to add approximately 50,000-100,000 net subscriber additions during Q3.

Due to the higher than expected growth in average billed minutes of use per subscriber per month we are increasing our guidance and expect the average to grow approximately 16-17% year-over-year. Our guidance on average rate per minute remains unchanged at about 18-20% decline year-over-year.

As we expect revenues to increase and some our onetime costs in the new building to not recur, we expect that gross margins for BTPS will increase slightly in Q3 and Q4, offset by our investment in payment services and resources needed to support our growth.

As we have discussed in the past our '03 guidance does not include any new additional business, but rather assumes that our carrier customers including Verizon will continue to grow at rates that are reasonable based upon the guidance we have been provided and our experience in the marketplace.

We anticipate our '03 ER&D sales and marketing and G&A costs will remain at similar levels as a percentage of revenue for the rest of this year. Our CapX guidance for '03 remains unchanged at approximately $32 million. Additionally we expect depreciation and amortization expense to be on target increasing approximately 12-13% year-over-year.

Our $7.7 million increase in cash was principally due to our strong earnings. Since our accounts payable balance increased at June 30th we expect that free cash flow will decrease next quarter, however we expect that for the full year '03 we should generate approximately $6 million in free cash flow, higher than our initial projections.

In closing our announcement today about the status of our Verizon Wireless contract renewal discussions may concern some of you. We hope you are aware that we have had a long-standing

relationship with Verizon, servicing its predecessors Bell Atlantic and Airtouch, when we initially launched our prepaid services and before we won Verizon Wireless' national contract.

Our industry reputation of having leading edge technology and features along with a cost effective solution are the reasons why we won the business, retained it, and continued to support it. Our ability to be fleet footed and effectively integrate very complex and divergent capabilities, including all of the robust features and functionality that are required from a billing system and all the complexity and high performance levels required for running a network integrating roaming, customer care, payment services, as well as numerous other touch points into carrier systems and business processes, all at a low cost and a high level of quality. These have been and continue to be our key competitive advantages and reasons for our continued success.

As we have mentioned today our new product innovation and opportunities for new business have never been stronger and we confident about our ability to further expand our business. We will continue to invest in our future and as always be prudent about our investments and focus on the long term. We believe that our strong financial position and unmatched assets along with our incredibly capable leadership team and talented employees have and will continue to expand our market leadership today, tomorrow and beyond.

I want to thank you for your time today and I would like to ask the operator to open the call to questions.

Operator: At this time I would like to remind everyone in order to ask a question, please press star and then the number one on your telephone keypad. We will pause for just a moment to compile the Q and A roster.

Your first question comes from Tavace McCourt of Morgan Keegan.

Tavace McCourt: Afternoon guys, a couple of questions. First I know earlier in the year (unintelligible) talked about some timing on potentially some summary judgment motion in terms of Freedom Wireless. Where does that stand or can you comment on that at this point? And then

secondarily on the Verizon Wireless language and the press release in terms of them testing a product in oath for I guess if you can tell us is this testing a product in '04 and rolling out in '05 or testing currently and transitioning in '04, any kind of flavor related to that would help.

Karen Walker: On Freedom Wireless Tavace we are still aligned with our original strategy of filing for summary judgment motion but the timing of that has not been set. So there is really no update other than our continued opinion that we don't infringe and that the patents are invalid.

E.Y. Snowden: With respect to the Verizon language, the language is language that as again I mentioned they have approved and describing their approach going forward. We expect to begin testing in 2004 and it is too early to predict the impact after testing is complete, but I think fundamentally if you appreciate the complexity of billing systems, particularly real-time systems, you know that changes like this generally take a great deal of time.

Tavace McCourt: Got you. Thanks.

Operator: Your next question comes from Howard Smith, First Analysis.

Howard Smith: Good afternoon.

Karen Walker: Hey Howard.

Howard Smith: One technical question and then a broader question. I am calculating that the average revenue per minute now rounds to 1.8 cents.

Karen Walker: That is about right.

Howard Smith: Okay. And on the Verizon language they have asked for this additional term in the contract, specifically stating that you will support their tact. Is this a term that they are asking for in a renewed, a new contract, a multi-year extension or is this something that they are asking to have added to the existing contract that expires this year and presumably would go month to month?

E.Y. Snowden: Right. The terms of the contract price, contract length, etc., have not yet been negotiated, so it is in the mix.

Howard Smith: This term is in the mix of a new contract?

E.Y. Snowden: Yeah, they presented us with an addendum and there is no obligation on our part to sign and addendum, it is merely a matter of something that is in the mix of the negotiations here.

Howard Smith: Okay thanks.

Karen Walker: But yeah, Howard presumably it will be a continuation of their existing contract with some additional services to be provided.

Howard Smith: Thank you okay. Thank you very much.

Operator: Your next question comes from Mike Latimore of Raymond James & Associates.

Mike Latimore: Good afternoon. Just some clarification on what they are asking you to do. It says "provide support, services and to test an alternative technology" I guess, that is the one question for clarification. Secondly, what is the alternative technology they are talking about?

E.Y. Snowden: Well as they as described it is their own internal prepaid platform that they intend to test. And we don't think they have made any communication specifically about what the parts of that platform they include.

Mike Latimore: Do they need you for that specifically? It seems like if that is an alternative technology they wouldn't need you guys to test it, or is it so close to link to your service that they actually need some interaction with your platform to have it work effectively?

E.Y. Snowden: I think in other circumstances we have had where there have been the cases where they have had a new integrative platform, to which conversion was taking place, you are right. It would be easier to just start to run in parallel. I think that is evidence that is not the case here and instead that we are required to help assist in the various ways that a test may be done.

Mike Latimore:	Did they request at all that you help them earlier than ' 04, say start some time in the second half of this year or is it specifically worded to be in the '04 time frame?
E.Y. Snowden:	The test would begin in '04. The assistance to prepare for that and all of that is in this addendum I referenced, which likely whenever it is approved as part of this ongoing contract negotiation that the assistance would begin at that time.
Mike Latimore:	Okay so nothing really (unintelligible) from the support service angle for you guys?
E.Y. Snowden:	As far as the test is concerned that is right, but as I said once the addendum would be signed then we would begin in any way that the addendum included and described, helped to work with them.
Mike Latimore:	Right okay. And then how about on, I guess (unintelligible) diminutive use, did you mention that you thought they were up more than normal because there was some additional ring tones and SMS traffic there, is that the comment you made?
Karen Walker:	It is just that our carriers have continued to expand the features that they are offering and a lot of the features that we enable our carriers to make available to their consumers. So what that has done is that has helped increase their Arco (phonetic) so it has helped to drive usage in general across most all of our programs.
E.Y. Snowden:	So what Karen is describing is not including the dramatic increases in traffic for other kinds of transactions we have processed like SMS and mobile commerce; those are not included in that number. This is just talk, minutes of use of voice and it is going up must because of what Karen said, in fact there is very strong evidence and this is stuff we have mined from our data and helped present to carriers and help advance their programs to show the benefits and advantages that come from these advance features.
Karen Walker:	But you bring up a good point too, Mike, because as you know we bill separately for non-voice traffic, so we bill on a per transaction basis for SMS, we bill separately for any payment services, transactions that would be processing payment for ring tones and etc. And correspondingly with the nice increase in average MOUs per subscriber we have seen a nice increase in the amount of extra

	features that we are billing for separately. So nice trends on all fronts.
Mike Latimore:	Okay thank you.
Operator:	Your next question comes from Steve Levenson of Advest.
Steve Levenson:	Good afternoon E.Y. and Karen.
E.Y. Snowden:	Hi Steve.
Steve Levenson:	A question here again on the Verizon contract and their potential development of internal platform, if they do move to an internal platform do you think that would take over all the functions that you provide or would it be for example just for call and transaction processing? Would there still be a role for BCGI, such as customer care and handling replenishment? And if it was just call in transaction processing that did revert back to Verizon, what percentage of the business might be affected? And in relation to that would your costs come down as well?
E.Y. Snowden:	Right. I think that in the scope of things the addendum as it is seen today includes some continued support, albeit not entire support, but the reality is that this is a very complex undertaking as we have described. So I think that your question is with regard to what their intent would be you need to talk with them. It is likely broad and includes many things that we would do and the question is the success of such an undertaking is very difficult, so we remain confident about the role we play, the end-to-end service we provide and the value that adds to this carrier.
Karen Walker:	Yeah and Steve as we have mentioned and as we have talked over time, the complexity of our networks has just continued to expand over the last several years with so many different touch points into the carriers as E.Y. and I have talked about, whether it is integration with payment services, integration with web care applications and so forth, it is incredibly complex and there are all different aspects of that that require different skill sets that haven't been found in one vendor other than BCGI. So I would be surprised if we were not providing some level of services for Verizon if their plans continue in this path.

E.Y. Snowden: And for all purposes that complexity isn't stopping. This carrier customer, as well as others, continues to work with us on implementing new enhancements both to the networking of the platform and to the features.

Steve Levenson: Okay and then in relation to costs, presuming that you lost some of the business but kept some your costs, I presume, would come down some as well too?

Karen Walker: It is too early to tell exactly the mix of it and there is a lot that will happen at BCGI with the innovation of new products that we have in the pipeline. We have got a number of things going on here to generate what we anticipate to be a lot of growth going forward. So it is just not clear as to how it will impact the cost structure at this point.

Steve Levenson: Okay thanks. One non-Verizon question; Nextel's boost mobile product I guess is still only available in California and Nevada, but apparently they are offering roaming in 16 states. Have they given you any indication of when they are going to turn those on for real subscribers or if they are going to?

E.Y. Snowden: As it sounds like you have uncovered that in deed they have been rolling out roaming capabilities and that is great news. No I think Nextel is yet to make their announcement with regard to nationwide rollout of that service and we expect the announcement to be made sometime this year.

Steve Levenson: And your contract with them is?

Karen Walker: It was announced as a multi-year contract.

Steve Levenson: Okay.

E.Y. Snowden: A multi-year contract announced last fall, last September I believe.

Steve Levenson: Thank you.

Operator: Your next question comes from Greg Gorbatenko with Loop Capital Management.

Greg Gorbatenko: Actually it is Loop Capital Markets. Hi E.Y., hi Karen.

E.Y. Snowden: Hi Greg.

Greg Gorbatenko: Hey a couple of quick questions and I apologize if somebody already asked this. I have been kind of fighting fires as I have been listening. But the first couple of questions are regarding Alltel Simple Freedom and then I believe you are talking about the boost product for Nextel. And just maybe an update on those. And then also at Cingular have you guys, did Donny talk about the GSM contract, because they have been rolling pretty quickly in this overlay. I know you guys have a TDMA business, but Cingular is still a big chunk of the business. Where is the GSM on that? And then also just a quick question on the sub ads; it looks like they slowed down a little bit from the previous two quarters and I am assuming that is a seasonal effect. If you could just comment on that and I will follow up with a Verizon comment.

Karen Walker: Yeah, I can take the subscriber one; as I mentioned we are actually at the high end of our guidance for net subscriber additions for the quarter and that is typical if you look at the trends of our subscriber ads that Q2 and Q3 tend to be slower seasonal quarters compared to Q4 and Q1. So it is certainly what we expected and actually at the high end of what we expected.

Greg Gorbatenko: So the sequential downtick is just a seasonal thing.

Karen Walker: Yeah. No you really have to map that quarter over quarter from this year to last year.

Greg Gorbatenko: Okay and the boost Alltel update?

E.Y. Snowden: As you know I cannot talk about what has been talked about publicly and Alltel I haven't heard commenting specifically on it, but you could find if you walk to stores around America, in fact a number of stores and distribution of the Simple Freedom product has grown and essentially nationwide distribution of that product through one of the best wireless retailers in America. So a very nice platform it seems and Alltel made some nice comments about it in January, but I haven't heard anything additional in public that I can relay on to you.

The Nextel boost, as I just discussed and you may not have been

able to hear, yes they are still California/Nevada and as they have described talking about subscriber numbers, they have had a very good rollout in the marketplace and if you did some mathematics you might see that in fact their penetration on a pro rata basis per pop has been as high as just about any product in that market, I would believe.

On top of that they have said nice things about providing color on the product with regard to profitability of the team subscriber and other aspects, so I think you hear some of those signals, but all in all they are still pending that decision on a nationwide rollout.

Greg Gorbatenko: And we will probably hear more tomorrow I would guess.

E.Y. Snowden: Is that when their call is?

Greg Gorbatenko: Yeah tomorrow morning.

E.Y. Snowden: Yep.

Greg Gorbatenko: And then the GSM Cingular?

E.Y. Snowden: Right. As you know I think they have a rolling out going on around the country for GSM. At this point it is post paid only on a nationwide basis; GSM in the California and Carolina markets they have owned in the past has their own prepaid products in those marketplaces. So no decision that we know of for selection of vendor for the nationwide product and we would obviously like to get that business.

Greg Gorbatenko: Okay. And then I am going to ask this question because I think everyone is going to get in anyways, but Verizon it looks good; I read that they are going now going to be selling in Circuit City, which will probably be a nice thing for you guys too, the Free Up program. But really going back to this pricing thing and this 2004 thing that is what is scaring everybody obviously. Here is the way I am looking at it. Why not just knock down your prices, because your margins are very thick, your earnings have been growing great. You guys are to be commended for that. But if Verizon is going to play hard ball, why not just meet them on the price issue so they don't even threaten to take it in-house?

E.Y. Snowden: Fundamentally Greg pricing is essentially today with us as competitive to anything. A purchase platform and certainly to any outsource service provider that we know of. It is not pricing that might drive this kind of decision as much maybe as it is that a lot of telecom carriers over time have always wanted control, more and more control of their own aspects of their entire business. And this happens to be one part of their business that we continue to prove out to be one where in fact individualized expertise and focus that comes from an outsourced provider can in fact combat and overcome both pricing benefit as well as feature functionality and responsiveness, quickness to market and the ultimate control issue.

So as we have highlighted before examining our economics versus even a purchase solution, we are there; buying a box you spend how much on your first minute? X tens of millions of dollars or more and then you hope to increase volume over time to decrease it. In our purchase solution you spend nothing on the up front implementation and over time you decrease it. And the paths as we have laid out pricing essentially never cross. That if you include the full component of what BCGI does on an end-to-end solution basis; we in fact remain the economic solution all the way out.

So it is not a matter of coming back and saying oh, let's just give you really really low pricing. It is a matter of all the aspects and as I have said we remain confident that in fact our economics as well as our functionality, platform stability and the future that we bring in terms of integrating more and more services into what we do in prepaid wireless overcome what any competitor has done and frankly overcomes what we believe any customer could do for themselves.

Greg Gorbatenko: Okay so what I hear you saying is it is a control issue, not a price issue.

E.Y. Snowden: So that is essentially the bottom line I believe.

Greg Gorbatenko: Okay, very good. Thanks E.Y.

Operator: Your next question comes from Carlo Kinnell with Kinnell Capital.

Carlo Kinnell: I had some questions on the lawsuit. Is Verizon currently named in this Freedom Wireless lawsuit?

Karen Walker: They and a number of our carrier customers are yes.

Carlo Kinnell: Could you summarize some of the other carriers that are named?

Karen Walker: Oh I believe Verizon, Cingular, AT&T Wireless. I think Rogers AT&T was removed from the case. Those are the big ones Carlo.

E.Y. Snowden: I recall the case dated three years ago and I think they in essence looked at our customer list and named everyone they saw.

Carlo Kinnell: In your estimation with their internalization, the prepaid system, increase or decrease the merit of their defense?

E.Y. Snowden: It is not really appropriate for us to comment on the case broadly. Only this I will say, which is I think a fair public statement that as we have been battling this lawsuit it has been on the fundamental premise that our counsel and even other counsel we have retained to research this issue has found that in fact we don't in fringe these patents. And not only do we not infringe them, but they are invalid in light of priority, etc. The non-infringement is based upon the definition of the patent's claim. If we lose this suit it could only be because a court upholds a definition for those claims that is broader than what our counsel believes to be the case. And if that broader definition in fact were supported in the lawsuit, there isn't a prepaid platform that uses switches to help route calls for prepaid treatment that wouldn't be subject to a patent.

Carlo Kinnell: Thus far in the discovery are you finding that the claims by Freedom are discriminatory, in other words, AT&T potential amount would be ten times that of BCGI, do you have any knowledge to that effect?

Karen Walker: I am not aware of anything of that nature.

Carlo Kinnell: Okay and a separate question: do you have any estimation of the capital expenditure that Verizon has spent to develop this fledging system and what they might have to spend to replicate what BCGI has spent?

E.Y. Snowden:	No, I don't have any idea and if I did I wouldn't be able to comment on it; that is their business. I can only tell you that eight years of leadership in prepaid wireless has developed a broad depth of expertise in software and proprietary software that we own that is not part of what they get from us, but rather what they are able to use and take advantage of that is on our platform. And it ain't just hardware dollars that is going to essentially get to be a platform that works, that does this broad complex integration we talked about before. It would have to be someone that somehow leap frogs that incredible amount of effort learning know how and gets those kinds of capabilities.
Carlo Kinnell:	Based on what you know now about your business, which seems to be very robust and what you know about Verizon, have you or the Board decided what your response to this request for an amendment will be? Will you tell them to get lost or what is your disposition at this point?
E.Y. Snowden:	It is not appropriate for us to talk about, but I can certainly say we will assist our good customer Verizon Wireless in ways that are appropriate under the contracts we have with them today.
Carlo Kinnell:	Let me ask the question slightly differently; may I take that to mean that you would assist a company in competing with you with respect to delivery of those services to their end customers?
E.Y. Snowden:	No, but you could take it to mean that every contract we have had does spell out typical terms that would include if they chose to leave just assisting in the transition. In other words, we have subscribers that are Verizon subscribers on our database today. Their balances, their recent activity, etc., all held by us; we report on that activity to a carrier customer like Verizon Wireless. In the event of a transition they need that history; they need that information about that customer. Their balance at the moment of transition, as well as the recent experience in order to simply start that customer back up. As you start to get into it you will appreciate what I just said actually gets very, very deep and very complex. Our assistance as spelled out in the agreement we have today simply provides for the transfer of all of that data.
Carlo Kinnell:	Okay thank you; that is helpful.

Operator:	Your next question comes from Martin Wildly of 1620 Investment Advisors.
Martin Wildly:	Hey guys, how is it going?
E.Y. Snowden:	All right.
Martin Wildly:	Regarding the Verizon contract is there any possibility that they could purchase select BTPS assets from you guys?
Karen Walker:	We run our platform on a service bureau basis and that is our intent going forward, so we are a company that has always protected our IP and continue to do that.
Martin Wildly:	Any language in the Cingular contract that would terminate the contract if you were to be bought by another entity?
E.Y. Snowden:	Changing control?
Karen Walker:	I think the language typically in contracts like that, I can't speak specifically to the Cingular contract without having that in front of me, but typically contracts read that consent cannot be unreasonably withheld.
Martin Wildly:	Okay thank you.
Operator:	Your next question comes from Jeff Raff with Morgan Keegan.
Jeff Raff:	Hey guys.
E.Y. Snowden:	Hey Jeff.
Jeff Raff:	What is your best guess at this point as to when you might finalize the current negotiations and we might finally get some clarity on what a new contract might look like, if in fact we get one? And secondarily will you get paid anything extra for assisting in these tests or is that part – I know you referred to the language in the current contract of giving them access information but if you are doing things that are new, do you think you will get compensated for that above and beyond what you get paid for current business?

Karen Walker: Yeah Jeff the way our contracts are structured is obviously we get paid based upon the minutes of use processed and then there are always provisions in our contract to provide for payment for services outside of the scope of our customary call processing billing and rating services. So you could presume that any additional resources that BCGI provides out of the scope of a contract we would be compensated for.

E.Y. Snowden: And timing of a renewal we have said all along before the end of this year and that would be our expectations still.

Jeff Raff: Okay thanks.

Operator: Your next question comes from Greg Spiegel with Pilot Advisor.

Greg Spiegel: All my questions have been answered; thank you.

Operator: Your next question comes from Arif Kareem with Pacific Edge Investments.

Arif Kareem: Hi can you talk about what the time frame would be for the test that Verizon would undertake to a successful or unsuccessful resolution? And then also can you talk about what the migration might look like if they do decide to migrate, if you guys have talked about it? And then finally is there any other issue beside just the control issue that is sort of up for discussion, I guess or the reason behind Verizon's reason to test? Thanks.

E.Y. Snowden: Certainly. Timing of the test, we don't know the specific nature of the test, as we have just been advised to assist in the test to be conducted in 2004. So we wouldn't be able to give you that description. As I have said I think a few times, I think we appreciate fully the complexity of what all might be involved in a full blown test to really understand the platform's ability to handle the kinds of volumes and the kinds of features and integrations that we have performed to create the service that they are trying to replicate. So it is not a small task.

Migration, again we have not been informed of the details of how that might look in the event of a full success of tests and ultimately a potential migration, but again if I haven't underscored already the complexity, it is substantial. When it finally comes to a platform

that has done everything we do and been successful in a fashion in integrating all of what I have described with regard to network rating, network working on multi-vendor switches that need to work under a new standard that is really probably yet to be implemented anywhere in the world on a multi-vendor network and then to do all of the rating, all of the rest of the integration we have talked about, if all of that is able to be done successfully at the very, very end the migration is simply, as I think I said, passing data; freezing a picture of data at its moment in time and with a very large volume obviously can't be done all at once, but would be done over the course of a period of time transferring thousands, millions of records.

Arif Kareem: Okay thanks.

Operator: Your next question comes from Steve Belog with Peter Creek Management.

Steve Belog: Verizon's own internal system, is this completely homegrown, that is all the code written by Verizon and any consultants they are using? Or do they start with a platform by somebody else and are customizing around that?

E.Y. Snowden: Right. They haven't -- their platform it is their own internal prepaid platform. So it is not unusual to use components from vendors to do that. This is a carrier that you may know has done a great deal to integrate their nationwide network of what I think used to be at one point more than ten different billing systems on a post paid basis down to less and less trying to integrate behind their own billing system on a post paid basis. So you may infer that may be a direction they intend to head, but we don't have that data to share with you. We have time for one more question before the call concludes here.

Operator: Your next question comes from Roheed Malik with Mysendoc Capital.

Roheed Malik: How much stock do you guys own right now (unintelligible)?

E.Y. Snowden: I don't have the exact number. For me it is around 300,000 shares.

Roheed Malik: That is both of you together?

E.Y. Snowden: No that is for E.Y. Snowden personally. I am sorry; you say stock owned, I am sorry the bulk of my holdings are in options.

Roheed Malik: Another question, you mentioned Verizon informed you on Friday. Now what if Cingular comes like six months down the road and tells you okay we are doing internal systems. So when you get to know, like a few days advance because of the contract renewal next year with Cingular, is that possible to happen with Cingular also being a big customer again?

E.Y. Snowden: There are a number of parts to what you said that aren't accurate. We announced last July a multi-year contract with Cingular Wireless, so I don't think they can come to us in six months and say that are doing an internal solution. So I think as we have described including as recently as our last quarterly conference call we have had a good deal of success and in fact have received within the last year new multi-year contracts from every one of our major carrier customers, except for Verizon Wireless and that is the one that is outstanding here today. And that is why we are discussing it today.

Roheed Malik: And Cingular is up for renewal when, in 2004 or that is multi-year going forward?

E.Y. Snowden: Again, we don't discuss specifically the termination of contract dates as a result of competitors being able to have that information, but we did describe it was a multi-year contract when we announced it in July of 2002.

Roheed Malik: So now when Verizon is asking for your help right now is it going to be doing like a testing of the data which you have or is it going to be just a migration starting right away?

E.Y. Snowden: No it is a testing of a new in-house prepaid platform.

Roheed Malik: And that is going to be again is it Q1 2004 or any time frame given in 2004?

E.Y. Snowden: We don't have any time frame to give you.

Roheed Malik: Okay thank you.

E.Y. Snowden: All right well thank you all for joining us today. It has been a most successful quarter for us. And as you can hear BCGI is a company that is well positioned in one of the most attractive segments of the wireless industry. We will use our strengths, our resources and our unique assets, skills and experience to continue to build value for the shareholders of BCGI. Thank you for your time.

[END OF CONFERENCE]